

EXHIBIT 4

REDACTED

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UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In Re:)
)
) No. 2:21-cv-00563-JCC
VALVE ANTITRUST LITIGATION)
)

VIDEO-RECORDED DEPOSITION UPON ORAL EXAMINATION OF
SCOTT LYNCH

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9:11 A.M.
THURSDAY, OCTOBER 12, 2023
701 FIFTH AVENUE, SUITE 5100
SEATTLE, WASHINGTON

Reported by: Tami Lynn Vondran, CRR, RMR, CCR/CSR
WA CCR #2157; OR CSR #20-0477; CA CSR #14435

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ALSO PRESENT:

TANIA GRANT, Videographer

CHRIS SCHENCK, Valve in-house counsel

PEGGY OLDERBURG, Concierge - via Zoom

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I N D E X

EXAMINATION BY: PAGE:LINE

Mr. Siebert8: 2

(Afternoon Session) Mr. Siebert120: 9

EXHIBITS FOR IDENTIFICATION MARKED

Exhibit 132 Email Exchange from Pat Goodwin, ...40:10

dated 12/10/03,

VALVE_ANT_0050975-976

Exhibit 133 Email Exchange from Jason69: 1

Holtman, dated 5/8/07,

VALVE_ANT_2788947-953

Exhibit 134 Email Exchange from Gabe Newell, ...93: 5

dated 12/1/18,

VALVE_ANT_0415674-684

Exhibit 135 Email Exchange from Scott Lynch, ..124:14

dated 12/4/18,

VALVE_ANT_0059653-655

Exhibit 136 Email Exchange from Scott Lynch, ..137: 5

dated 5/2/18,

VALVE_ANT_0059525-526

Exhibit 137 Email Exchange from DJ Powers,152: 4

dated 2/5/19,

VALVE_ANT_0489888-890

1 A. I believe it was [REDACTED].

2 Q. Do you recall what the revenue share for that
3 game was?

4 A. I think -- I think it might have been [REDACTED],
5 possibly [REDACTED]. [REDACTED] to the developer, [REDACTED] to Valve.

6 Q. Why did Valve begin distributing third-party
7 games through Steam?

8 A. Because the work that we had done with Steam
9 we thought could be valuable to third parties, other
10 than ourself. And that customers would enjoy it as
11 another alternative to buy games, and that -- we thought
12 there were a bunch of advantages for developers and
13 customers with online distribution versus traditional
14 packaged goods distribution.

15 Q. You mentioned the difference between online
16 distribution and traditional packaged goods
17 distribution.

18 What are those differences?

19 A. Well, there's -- there's lots of them.
20 There -- for one, you know, packaged goods distribution
21 is limited in terms of shelf space because, you know,
22 they're physical items that take up space.

23 You have to put the game on a piece of
24 plastic, CD-ROM, DVD, and then you've got to put it in a
25 box and make it in a factory. And then you have to ship

1 those boxes to all over the world. Eventually they have
2 to get onto store shelves. Then you have to kind of
3 make sure those store shelves are kind of organized and
4 they're doing a good job in terms of presentation. You
5 have to worry about the inventory kind of being there in
6 all the different stores when people go there and being
7 out of inventory.

8 Returns are much more costly because packaged
9 goods are costly. You have to go through this
10 complicated sales process with the retailer and, you
11 know, figure out how many you'll sell in, what happens
12 if they don't sell through. You know, then -- you know,
13 typically in the stores you have to do some retail
14 marketing, point of presence kind of stuff.

15 You know, when a game ships out at retail in a
16 piece of plastic, if there's, you know, a problem with
17 how the game was duplicated on the CD, that can be super
18 costly trying to solve that problem. Doing updates,
19 it's typically quite a period of time.

20 And then in terms of, you know, lining all
21 those things up at retail for the developer, you know,
22 you've really kind of got to hit a ship date. So it's
23 pretty stressful on the teams trying to get to a ship
24 date once you align all those things.

25 Those would be, you know, some of the kind of

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1 know...

2 Q. Is one of those developers [REDACTED]

3 A. [REDACTED] was probably one of those developers that
4 would be on my mind.

5 Q. [REDACTED]

6 A. Yes.

7 Q. [REDACTED]

8 A. Yes, I would guess.

9 Q. Those are all large developers; right?

10 A. They are, but it was many, many more than
11 that. I mean, it was independent developers that, you
12 know, had never shipped their game on Steam too.

13 Q. The new revenue share that Steam introduced is
14 70/30 unless you sell more than \$10 million of games;
15 right?

16 A. That is correct. Not -- no, it's not
17 \$10 million of games. It's for games -- for a game that
18 does in excess of 10 million, then the revenue share
19 changes.

20 Q. Your point is that the tiering is based on
21 game revenue, not publisher revenue; right?

22 A. It's -- yeah, individual game revenue is what
23 the tier is based on.

24 Q. Did you consider doing it by publisher
25 instead?

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1 A. No. No.

2 Q. Why?

3 A. Because we were -- we wanted to -- there was,
4 you know, design around rewarding individual games and,
5 you know, those games can come from small developers or
6 large publishers. And, you know, we wanted to be, you
7 know, a level playing field in that way.

8 Q. Level in the sense that any developer could
9 get the lower revenue share; right?

10 A. Anybody with a hit game can qualify for those
11 revenue share tiers.

12 Q. But the benefit is to a hit game; right?

13 A. Yeah. I -- it's going to be a more successful
14 game, yeah. If, you know, you sell in excess of
15 10 million, you would get access to it. And lots of
16 games do.

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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1 Q. You don't recall if he called you before this?

2 A. I don't recall if he called me before, but it
3 doesn't look like it.

4 Q. You don't recall if you and Ms. Gerber had a
5 conversation about this?

6 A. About what?

7 Q. About Ubisoft and Division 2.

8 A. We've had conversations about Ubisoft. It's
9 possible we talked about Division 2.

10 Q. [REDACTED] says thanks for the candid
11 conversation with you and Connor on Monday; right?

12 A. He says, "Thank you, Kassidy, for the candid
13 conversation on Monday with you and Connor."

14 Q. So that reflects that Ms. Gerber and [REDACTED]
15 had a meeting?

16 A. I think so.

17 Q. And he explains his understanding of the
18 revenue share change as getting the best value -- well,
19 he explains his understanding of Valve's intent; right?

20 A. [REDACTED] says, "We appreciate that your intent
21 with the proposed changes to the revenue sharing program
22 is to best value the games that have strong network
23 effects."

24 That's what [REDACTED] says.

25 Q. And as you testified earlier, you wanted to

1 reward games that had the most people playing them, that
2 had the largest number of people -- well, had the most
3 people playing them; right?

4 A. We wanted to reward games that hit certain
5 revenue tiers, you know, took big risks, all those kinds
6 of things. And, you know, there's a long list of, you
7 know, reasons why we did the revenue share tiers.

8 Q. And [REDACTED] actually agrees with that. He
9 says, "the more people playing the game makes the game
10 more valuable to Steam as it cements the player's
11 commitment to the overall network (Steam)."

12 Do you see that?

13 A. I see where [REDACTED] says that.

14 Q. Earlier you used the word "ecosystem" when
15 describing Steam.

16 Do you recall that?

17 A. I do.

18 Q. By "ecosystem," do you mean the wider suite of
19 services that Valve provides to consumers, including the
20 Steam store, the Steam Library, the launcher, messaging,
21 et cetera?

22 A. I mean, all of the people that, you know, use
23 Steam, developers, gamers, users, us, we're all part of
24 the, you know, same group. All are affected by all
25 decisions.